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Social dialogue during the financial and economic crisis

Results from the ILO/World Bank Inventory using a Boolean analysis on 44 countries

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Abstract

Using information collected by the ILO/WB Inventory of policy responses to the financial and economic crisis on 44 countries, this paper identified conditions under which there was a social dialogue response to the financial crisis between 2008 and 2010. For that purpose, they use a particular definition of social dialogue, e.g. the emergence of tripartite national-level agreements or major agreements at the sector level; and rely on a Boolean analysis, e.g. a statistical method to detect relationships between variables, for example between answers to a questionnaire. Based on this definition, 13 out of 44 countries adopted national level agreement or major sector level agreement in formulating their crisis response, including seven in Europe, three in Americas, two in Asia, and one in Africa. Explanatory factors for the emergence of social dialogue include freedom of association, the severity of the crisis, and the strength of trade unions.

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Preface

Following the G20 leaders' statement at the London Summit in April 2009 inviting the ILO "working with other relevant organizations, to assess the actions taken and those required for the future [in the areas of employment and social protection policies]", a joint ILO/WB Inventory of policy responses to the 2008 financial and economic crisis was one of the initiatives adopted by the ILO. The Inventory follows the framework of policies provided by the ILO's Global Jobs Pact and contains information of policy responses in four major areas (macroeconomics and employment, social protection, international labour standards and social dialogue) for 77 countries. For all recorded measures, the Inventory database gives, whenever possible, information on costs, time frame, target population, number of beneficiaries, impact and whether the measures resulted from social dialogue.

The Inventory project has been managed in the Economic and Labour Market Analysis Department of the ILO by Catherine Saget (Senior Economist, and manager of the project) and Moazam Mahmood (Director), under the responsibility of Jose Manuel Salazar (Executive Director, Employment Sector). On the World Bank side, the project was managed by Friederike Rother (Operations Officer), David Newhouse (Labour Economist) and David Robalino (Director) of the Labour Markets Team, under the responsibility of Arup Banerji (Director, Social Protection and Labour). On the Social Dialogue side of the ILO, France Auer (Coordinator) and Susan Hayter (Senior Industrial and Employment Relations Specialist) provided guidance and support in the data collection and the analysis.

This paper seeks to identify the conditions in which a social dialogue response to the economic and financial crisis emerges at the national level. Its primary source of information uses the ILO/World Bank Inventory standardized questionnaire on 44 countries covering the period mid-2008–mid-2010. The analysis adopts an innovative Boolean methodology which focused on identifying necessary and sufficient conditions for national dialogue to emerge. The main results of the analysis stress the importance of freedom of association as a necessary condition for a social dialogue response to the crisis to emerge. On the opposite side, the severity of the crisis, and the weakness of trade unions, are associated with a lower occurrence of social dialogue.

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We would like to thank the members of the respective teams for excellent collaboration in this project.

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1. Introduction[1]

The global financial crisis, which exploded in late 2008, has led governments around the world, and particularly in Western countries, to engage in a complicated balancing act of trying to reconcile different policy goals. On the one hand, there is a need to minimize the social consequences of the crisis, protect employment as much as possible and strengthen the social safety nets for those who lose their jobs and fall through the cracks. On the other hand, the need to intervene massively to restore the balance sheets of banks and other financial institutions, combined with the shortfall in public finances that always accompany a recession, has created opposite incentives to cut public expenditures, increase fiscal inflows, and reduce public debt.

It may be argued that the response to the crisis has played itself out in two stages. In an early, Keynesian phase, the main focus has been on minimizing the employment and social consequences of the crisis. Beginning with 2009, however, pushed by jittery financial markets preoccupied by the unsustainable debt position of particular Euro-area countries, governments seem to have returned to a more "orthodox" position. They have become much more concerned with debt reduction and fiscal consolidation than with social sustainability (Torres, 2010).

Social dialogue has played an important role in the response to the crisis, particularly in the early phase. In several countries, at either the national or the sectoral levels, bipartite or tripartite negotiations have led to "pain-sharing" agreements in which workers have accepted to work fewer hours with a commensurate reduction in pay in an effort to minimize labour shedding and preserve human capital. In turn, employers have promised to resort to layoffs only as an extrema ratio, when all other possibilities (for example internal flexibility, training) have been exhausted. The government has intervened to partially compensate the workers for income losses, extend unemployment insurance, and promote the fast requalification and movement of workers from declining firms and sectors to expanding ones.

The ILO has consistently promoted a social dialogue approach to crisis response, arguing that it is both more efficient and more equitable, as it protects the weakest segments of society. It also contributes to support aggregate demand at a time when the "paradox of thrift", i.e. individual decisions to save more, leading to an aggregate decline in total savings and investment, threatens to plunge the world into a pernicious deflationary spiral. In 2009 the ILO constituents adopted a Global Jobs Pact crucially centered on social dialogue at both the national and international level (ILO, 2009b). However, not all countries have resorted to social dialogue in shaping their response to the crisis. In apparently similar circumstances some have and others have not. Sometimes a social dialogue approach has been attempted, but it has eventually failed and the government has proceeded unilaterally.

This paper seeks to identify the conditions in which a social dialogue response to the crisis emerges. It uses information on 44 countries around the world.2 This was collected

[1] Lucio Baccaro is a Full Professor of Macro-Sociology at the Department of Sociology of the Faculty of Social and Economic Science, University of Geneva, Switzerland. Stefan Heeb has been working as an external collaborator for the ILO/World Bank Inventory of policy responses to the crisis project. We are grateful to an anonymous reviewer, and to Catherine Saget for comments on a preliminary version of this paper. The views expressed are our responsibility and do not necessarily represent those of the ILO.

by the ILO through a standardized questionnaire addressed to country or regional experts (ILO, 2010a), as well as various primary and secondary sources collected by the authors. The analysis adopts an innovative Boolean methodology focused on identifying necessary and sufficient conditions. This methodology is perfectly attuned to a complex notion of causality in which the same outcome may be produced by different configurations of factors (Ragin, 1987; Mahoney and Goertz, 2006).

The main conclusions of the analysis are that: positively, freedom of association is a necessary condition for social dialogue; negatively, a combination of a crisis that hits hard, together with organizationally weak unions, or a crisis with a lesser and not particularly far-reaching impact, together with strong unions, is often sufficient to produce an absence of social dialogue. The first seems to be a case of the government being hard-pressed by economic emergency to ignore trade union demands, with unions not being strong enough to force consideration of such demands. The second, where the government is afraid that involving trade unions in a concerted policy response would imply paying too high a price to them and would endanger economic adjustment.

The remainder of the report is organized as follows. Firstly, there is a review of the recent evolution of national social dialogue. Secondly, there is a discussion on the coding of the social dialogue variable and of the independent variables: tripartite legacy, serious crisis, union strength, and freedom of association. Thirdly, the Boolean analysis is conducted under different assumptions. Fourthly, there are ten brief case study illustrations and, finally, a summary of results.

2. The evolution of national social dialogue in recent years

Until few years ago, the argument that national social dialogue had been made obsolete by a series of socioeconomic transformations – globalization, European integration, technological change, and a generalized employer offensive – was fairly common in the literature (Schmitter, 1989; Streeck and Schmitter, 1991; Gobeyn, 1993; Streeck, 1993; Thelen, 1994, pp.: 387, 410 and passim; Locke, 1995; Iversen, 1999; Iversen *et al.*, 2000; Hall and Soskice, 2001).

Yet, national social dialogue not only did not die, but even experienced an unexpected renaissance in the 1990s and beyond in the form of "social pacts" (Regini, 1997; Wallerstein *et al.*, 1997; Perez, 2000; Compston, 2002; Molina and Rhodes, 2002; Baccaro, 2003; Hassel, 2003; Traxler, 2004; Hamann and Kelly, 2007; Baccaro and Simoni, 2008; Hassel, 2009). If an index of unions and employers' involvement in public policy-making is constructed and plotted over time, it is found that both government propensity to negotiate with the social partners, and the frequency of agreements, actually slightly increased in Western Europe in the past 30 years (Baccaro and Simoni, 2008). In addition, national social dialogue began to spread outside its traditional homeland of continental Europe, to be practiced in other countries as well, such as South Africa and South Korea (Papadakis, 2006; Baccaro and Lim, 2007).

It is possible that previous research had exaggerated the impact of a few highly symbolic events like the decline of centralized bargaining and tripartite policy-making in

[2] This paper uses the first available 44 country surveys out of a total of 77 that were carried out over a period of eight months.

a beacon country such as Sweden. It was, therefore, incorrectly concluded that national social dialogue was a relic of the past. However, there is no doubt that the agreements signed in western European countries in the 1990s differed considerably from those which had become a distinctive trait of Central European and Scandinavian countries in the 1960s and 1970s. These were based on a form of “political exchange” between unions and governments (Pizzorno, 1978), whereby the unions committed to wage moderation (thereby contributing to disinflation) and the governments compensated their sacrifice with more generous social programmes and working-time reductions. This led to greater income and wage equality and “decommodification” of public services (Korpi, 1978; Esping-Andersen, 1990).

This type of political exchange is now virtually absent. The new social dialogue has more or less entirely relinquished the redistributive and decommodifying traits of the old. Pressed by restrictive international macroeconomic frameworks, governments are unable or unwilling to compensate union forbearance and moderation with “side payments” in other domains. Union virtue has become a prize in itself.

In fact, the content of the national social dialogue agreements of the 1990s and 2000s was more or less neo-liberal and included the following:

- systematic compression of wage growth below productivity growth to improve cost competitiveness;
- labour market liberalization and the reduction of employment protection (supposed to lower unemployment rates);
- welfare state reforms reducing benefits, tightening eligibility conditions, and shifting a large part of risks from the state (or the employers) to workers or citizens.

This does not mean there was no difference between a policy reform negotiated through social dialogue and one implemented unilaterally by the government under pressure from the international markets. However, national social dialogue was only able to blunt neo-liberalism; <u>not</u> provide an alternative to it (Fraile, 2009). Overall, the new national social dialogue helped governments rally the popular consensus needed to pass unpopular and electorally-threatening reforms (Hamann and Kelly, 2007; Baccaro and Simoni, 2008; Avdagic, 2010). Governments that, due to limited parliamentary strength or electoral competition, were unable or unwilling to unilaterally impose a series of reforms, forced on them by international economic conditions, found that social pacts were an expedient way to activate an alternative, extra-parliamentary (union-based) mechanism of consensus mobilization (Rhodes, 1996; Streeck, 2000; Rhodes, 2001; Streeck, 2006).

When looking at the response to the current global financial crisis, and at the role that social dialogue plays in it, it is this more recent type that is at stake. That is, one that does not look for fundamental policy alternatives, but seeks to spread and share the pain and, in so doing, increases the legitimacy and political acceptability of the reform package. This type of social dialogue seeks to keep labour shedding within acceptable proportions. For example, through work-sharing measures, which limit the employment and social consequences of public sector downsizing, and by strengthening the social safety net by extending the duration of unemployment benefits.

Not all countries resort to social dialogue in orchestrating their response to the crisis. Previous research suggests that the presence or the absence of a social dialogue response should be dependent on four factors: 1) a legacy of tripartite policy-making; 2) a serious economic crisis that fundamentally threatens the country’s economic and financial viability; 3) the organizational strength of the union movement; 4) independently of the unions’ organizational strength, whether or not they are allowed to organize freely.

A country that has used social dialogue to process public policy in the past will probably also use it to respond to the financial crisis. All other things being equal, a far-reaching crisis should induce a government to reach out to the social partners in order to both cushion the effects of the crisis itself and formulate a policy response that is socially and politically more acceptable and manageable. The role played by the organizational strength of the unions is likely to be contingent on other factors (Baccaro and Lim, 2007; Baccaro and Simoni, 2008; Avdagic, 2010). If the crisis is deep and the unions strong, their ability to mobilize against a unilateral government plan and, potentially block its implementation, should increase the government's willingness to negotiate. This would make a social dialogue response more likely. However, if the crisis is not far-reaching and the unions are organizationally weak, the government may either ignore them and proceed unilaterally, or, if a corporatist legacy is present, decide to go through the motion of social dialogue as a symbolic gesture. The opposite combination of a crisis that is not very serious, together with unions that are organizationally strong may also tend to reduce the incentives for a government to negotiate its policy response. They may fear that the trade unions will be able to capitalize on their strength and impose their views unilaterally. Finally, freedom of association seems prima facie a necessary condition for a social dialogue response to the crisis. Only unions that are genuinely free to enter into an agreement with the government and the employer associations can really contribute to mobilizing consensus for unpopular reforms. It remains to be seen whether a social dialogue response is also possible in countries where no genuine freedom of association exists.

In the remainder of the paper, the determinants of social dialogue are examined through a Boolean analysis of necessary and sufficient conditions (Ragin, 1987). Information was collected for 44 countries in various regions of the world and at different levels of development: eight African (Cameroon, Egypt, Nigeria, Senegal, South Africa, Rwanda, Tanzania and Uganda); ten American (Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Mexico, Peru, USA and Uruguay); two Caribbean (Jamaica, Trinidad and Tobago); 17 European (Bulgaria, Czech Republic, France, Germany, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Romania, Russia, Spain, Switzerland, Sweden, Serbia and United Kingdom); and seven Asian (Australia, Cambodia, Japan, South Korea, Malaysia, Thailand and Vietnam).

Boolean analysis, also known as Qualitative Comparative Analysis (Ragin, 1987), combines features of both qualitative and quantitative research. As in quantitative research, the goal is not so much acquiring in-depth knowledge of particular cases, but drawing general conclusions about the circumstances in which a particular outcome may or may not emerge, based on information from an available sample of cases. Unlike quantitative research, the analysis seeks to identify particular configurations of circumstances leading to the outcome and not just the average effect of a particular variable (Mahoney and Goertz, 2006). Unlike multivariate statistical methods, a Boolean approach is perfectly compatible with a complex notion of causality in which there is equifinality, and can easily identify different configurations of circumstances leading to the same outcome. The approach to measurement taken is typical of qualitative research: the presence or absence of a particular quality or trait is assessed and no effort is made to measure these characteristics continuously.

The Boolean approach begins by coding the various variables (independent variables: tripartite legacy, serious crisis, strong unions, free unions; dependent variable: social dialogue response) as a collection of 1's (presence) and 0's (absence).

3. Coding the dependent variable

The dependent variable, whether or not there was a social dialogue response to the financial crisis between 2008 and 2010 (D), is coded as 1 in two circumstances: 1) if there is a national-level agreement among government, unions and employer associations; and/or 2) even in the absence of a tripartite agreement, if unions and employers play an important role in adjustment programmes through sectoral level collective agreements; it is coded 0 otherwise. This is based on information collected by the ILO through the "Crisis Policy Inventory Questionnaire", a standardized questionnaire filled out by the country or regional experts (ILO, 2010a) as well as on secondary sources, particularly the articles published online by *Eironline*.[3]

The countries in which national-level social dialogue agreements have been signed, and that, for this reason, are coded as 1, are nine: South Africa, Brazil, Chile, Jamaica, Czech Republic, Netherlands, Poland, Japan and South Korea. Countries in which social dialogue played a role mostly at the sectoral level, and which are also coded as 1, are the following four: Germany, Italy, Switzerland and Sweden. All other countries are coded as 0. Table 1 provides details on the coding of the D variable for the various countries.[4]

4. Coding the independent variables

Tripartite legacy

The tripartite legacy variable (L) is coded as 1 if, in the country in question, a social pact (peak-level agreement on macroeconomic, social, and/or labour market policy) has been signed in the previous ten years. However, even in the absence of an explicit social pact, if the country is characterized by "embedded corporatism", i.e. by an institutional system in which public policy is discussed and/or negotiated with the social partners, as a matter of routine.

The countries in the sample, in which a social pact was signed in the previous ten years, and are therefore coded as 1, are: South Africa, Ireland, Italy, Netherlands, Spain and South Korea. The notion of social pact is interpreted here narrowly and excludes the mostly cosmetic agreements signed, for example, in some Eastern European and Latin American countries in the past ten years (Ost, 2000; Avdagic, 2005). The countries coded as 1 because of their "embedded corporatism" are: Germany, Switzerland and Sweden. All other countries are coded as 0. Table 2 reports the country scores on the corporatist legacy and other independent variables.

Serious crisis

The "seriousness of the crisis" variable (C) is coded as 1 if the rate of growth of GDP is negative in one or more years between 2008 and 2010 (expected) and 0 otherwise. The data on GDP growth are from the Economist Intelligence Unit (EIU) country profiles.

[3] http://www.eurofound.europa.eu/eiro/.

[4] Many thanks to Sabina Avdagic for her help coding the social dialogue variable for the Eastern European countries.

Using negative GDP growth as an indicator of a serious crisis is not perfect, but creates fewer problems of ambiguity than other plausible indicators. In particular, GDP growth seems less endogenously-determined by the response to the crisis than other possible indicators. For example, using the change or the level in unemployment as an indicator of a serious crisis would make its concept depend on the social protection system of a particular country. Given the same shock, a country with a weak social safety net would experience a higher increase in the unemployment rate than a country with a stronger social safety net. Similar considerations also apply to other possible indicators of crisis, like public deficit and/or debt.[5]

The countries in which there has not been a serious economic crisis according to the above definition (coded as 0) are: Cameroon, Egypt, Nigeria, Senegal, Rwanda, Tanzania, Uganda, Argentina, Colombia, Peru, Uruguay, Poland, Australia, Korea and Vietnam. All other countries are coded as 1. It is noteworthy that all European countries except Poland have experienced negative growth in at least one year and are, therefore, coded as 1.

Union Strength

The union strength variable (S) is coded as 1 if the country's union density rate (union members/workers) is equal to or greater than 20 per cent according to the most recent estimates available. Information on union density rates has been collected by the authors through consulting various sources. The countries in which the unions can be considered organizationally strong according to the above threshold and S is coded as 1 are: South Africa, Argentina, Brazil, Canada, Bulgaria, Czech Republic, Germany, Ireland, Italy, Netherlands, Romania, Russia, Switzerland, Sweden, Serbia and the UK. All other countries are coded as 0.

Freedom of Association

The freedom of association variable has been coded by consulting the ITUC/ICFTU Annual Survey of Trade Union Rights, focusing in particular on effective de facto and de jure freedom to organize, freedom of collective bargaining, and freedom of strike.[6] The countries in the sample that have been coded as 0, i.e. those where there is no freedom of association, are: Cameroon, Egypt, Nigeria, Rwanda, Tanzania, Uganda, Colombia, Costa Rica, Mexico, Trinidad and Tobago, Russia, Serbia, Cambodia, Malaysia, Thailand and Vietnam. All other countries have been coded as 1.

5. Boolean analysis

A Boolean analysis is based on possible (logical) combinations of the independent variables, which in turn may take a value of 1 (presence) or 0 (absence). If an independent variable is present, it is indicated by a capital letter (e.g. L); if it is absent, by a lower-case letter (e.g. l). Since there are four independent variables, the number of

[5] Using a 1/0 indicator obviously implies lumping together countries with very different macroeconomic situations. As described in the country section (see below), among countries for which the seriousness of the crisis is coded as 1 there are countries that had a huge drop in GDP (Germany, Ireland, Spain, Hungary, South Africa, Japan) as well as others which were only moderately affected (Switzerland, Brazil).

[6] http://www.icftu.org/list.asp?Order=Type&Type=TURSurvey&Language=EN&Subject=TUR.

possible combinations of factors is $2^n = 2^4 = 16$. The matrix of the 16 possible combinations is reported in Table 3 together with the countries that correspond to the particular combinations.

The first row in Table 3 corresponds to the combination *lcsf*, i.e. absence of a corporatist legacy, absence of a serious crisis, absence of strong unions, and absence of freedom of association. Eight countries are characterized by the above combination of factors: Cameroon, Egypt, Nigeria, Rwanda, Tanzania, Uganda, Colombia and Vietnam. None of these countries has seen a social dialogue response to the crisis according to the information that we collected. This can be expressed formally as *lcsf = d*.

The last row in Table 3 corresponds to the opposite combination *LCSF*, i.e. presence of a corporatist legacy, presence of a serious crisis, presence of strong unions, and presence of freedom of association. Seven countries are characterized by this combination: South Africa, Germany, Ireland, Italy, Netherlands, Switzerland and Sweden. All except Ireland have seen the emergence of a social dialogue response to the crisis. This can be expressed formally as *LCSF = D*.

This leads us to the problem of contradictory rows (Ragin, 1987). Not all possible combinations of factors are characterized by univocal responses. In some cases, the same combination is associated with presence in some countries and absence in others. Yet a requirement of a Boolean analysis is that all variables be coded as either 0s or 1s.[7] So, the outcome variable is coded in two different ways, one less restrictive and the other more: it is coded as 1 if the frequency of positive cases for the row in question is greater than 0, i.e. if there is at least one positive case; alternatively, it is coded as 1 if the row frequency is greater than 0.5, i.e. if a positive outcome is the most frequent; in all other cases, the outcome variable is coded as 0. Strictly speaking, the presence of contradictory rows in a Boolean framework signals a problem with the theoretical model: variables may be omitted variables which would distinguish, if taken into consideration, between positive and negative cases within the same row (logical combination). One possible omitted variable, which future research should take into account, is the strength of government (Baccaro and Simoni, 2008; Hamann and Kelly, 2010; Avdagic *et al.*, 2011). In fact, it is conceivable that, if a government is firmly in power, has little to fear from the opposition, and has sufficient political power to implement the adjustment plan it chooses, it would have fewer incentives to engage in a social dialogue than a government that does not have the above characteristics.

Before moving to the analysis of the truth table in Table 3, it is useful to discuss briefly the basics of Boolean algebra. There are two operations: Boolean multiplication and Boolean addition. The first corresponds to the AND in formal logics or to the intersection of two sets in set-theory. The intersection (multiplication) AB of two sets A and B is a set whose members are <u>both</u> members of A and members of B. The Boolean addition corresponds to the OR in formal logics or to the union of two sets. The union (addition) A+B of two sets A and B is a set whose members are <u>either</u> members of A or members of B.

[7] A solution to this predicament would be to move from 'crisp' to 'fuzzy' set methodology. This would make it possible to code degrees of membership in a particular category (Ragin, 2000). However, a fuzzy-set methodology would require more in-depth knowledge of the cases and a fair amount of questionable assumptions in order to calibrate the variables and decide both what the tipping points between membership and non-membership are and the various degrees of membership. While a fuzzy-set extension would be advisable, given the current state of knowledge of the particular cases a choice was made to keep the analysis at the Boolean level.

The first step in the analysis is to identify the configurations of factors that are sufficient to produce the outcome of interest, i.e. a social dialogue response (D). As revealed by Table 3, if the outcome is Frequency>.5 there are only two possible configurations capable of producing a social dialogue response:

$$D_1=LcsF+LCSF \quad (1)$$

If a broader operationalization of the outcome (Frequency>0) is used then there are five possible combinations producing a social dialogue response:

$$D_2=lcsF+lCsF+lCSF+LcsF+LCSF \quad (2)$$

Not surprisingly, the first is a subset of the second. In words, a social dialogue response is produced in countries where freedom of association is guaranteed AND there is no corporatist legacy, the crisis is not particularly serious, and the unions not particularly strong (the case of Poland); OR there is no corporatist legacy, the crisis is serious, and the unions are weak (the cases of Chile, Jamaica, and Japan); OR there is no corporatist legacy, but the crisis is serious and the union are strong (the cases of Brazil and the Czech Republic); OR there is a corporatist legacy, but neither the crisis is serious nor the unions are strong (the case of Korea); OR there is a corporatist legacy, the crisis is serious, and the unions are strong (the cases of South Africa, Germany, Italy, Netherlands, Switzerland, and Sweden).

One thing that transpires immediately from the above sums of Boolean products is that freedom of association (F) appears in all positive combinations, i.e. it is a necessary condition for a social dialogue response (Little, 1991).

It is worth noting at this point that, should one apply standard statistical techniques to the data matrix obtained by combining Table 1 (dependent variable) and Table 2 (independent variables) – for example by running a logit model – any statistical software would return an error message to the effect that ‘freedom of association = 0 perfectly predicts social dialogue = 0’ or something similar mentioning “perfect separation”. In other words, what is probably the strongest result of the analysis, that freedom of association is a necessary condition for social dialogue, would be treated as a statistical mishap. The incriminated observations, those in which freedom of association = 0 and social dialogue = 0, would be dropped and the model re-estimated on a smaller (and different sample).

The second step in the analysis is the use of the rules of Boolean algebra to simplify the expressions if possible. Two rules are especially helpful: 1) $AB+Ab=A$, and 2) $A+AB=A$. The first says that if A is the set of French people and B the set of people living in Paris, the sum of the set of French people living in Paris and the set of French people not living in Paris is the set of French people *tout court*. The second, also known as the principle of redundance, says that the sum of the set of French people and the set of French people living in Paris is the set of French people.

While (1) cannot be further simplified, applying the rules of Boolean algebra (2) can be reduced to the following expression:

$$D_2=lsF+lCF+CSF+csF \quad (3)$$

In other words, a social dialogue response is produced in freedom of association countries when there is no corporatist legacy and either the unions are not particularly strong or the crisis is serious, or when the crisis is serious and the unions are strong, or when the crisis is not serious and the unions are not strong.

We now use the De Morgan's rule to identify the conditions leading to the non-emergence of a social dialogue response. The De Morgan rule is a theorem of Boolean algebra stating that:

$$S=Ab+cD \equiv s=(a+B)(D+c)$$

where '≡' stands for 'logically equivalent.' Applying De Morgan's rule to (1) gives the following formula:

$$d_1=(l+C+S+f)(l+c+s+f) \quad (4)$$

which simplifies into:

$$d_1=l+Cs+cS+f \quad (5)$$

There are four configurations in which a social dialogue response would not emerge: 1) the absence of trade union freedom per se is a sufficient condition for non-emergence; 2) when the crisis is serious and the unions weak, presumably because the crisis generates such a sense of urgency that the governments do not bother do negotiate with weak trade unions; 3) when the unions are strong and the crisis not particularly serious, presumably because the governments are worried that unions would impose too high a price in negotiations; 4) when there is no corporatist legacy. This latter conclusion, however, is simply a consequence of the decision to code the outcome as 1 if the majority of cases in the row are positive. In fact, there are in the sample cases of positive social dialogue response in the absence of a tripartite legacy (Poland, Chile, Jamaica, Japan, Brazil and Czech Republic). As illustrated below, this conclusion will drop out once less restrictive assumptions are introduced.

Applying De Morgan's rule to (3) gives the following formula:

$$d_2=(L+S+f)(L+c+f)(c+s+f)(C+S+f) \quad (6)$$

which simplifies into:

$$d_2=cS+LCs+f \quad (7)$$

There are three configurations of circumstances in which a social dialogue response would not emerge: a weak crisis accompanied by strong unions; a strong crisis accompanied by weak unions in the presence of a tripartite legacy; the absence of trade union freedom. Not surprisingly, (7) is a subset of (5). The first configuration, weak crisis and strong unions, captures the case of Argentina. The second configuration captures the case of Spain, where there is a corporatist legacy, the crisis hits extremely hard, and the unions are weak in organizational terms. The government is forced by economic duress to impose a series of conditions (e.g. labour market reform) that the unions are unable to accept and decides, therefore, to proceed unilaterally. The third configuration captures the cases of various countries such as Cameroon, Egypt, Nigeria, Rwanda, Tanzania, Uganda, Colombia, Vietnam, Costa Rica, Trinidad, Mexico, Cambodia, Malaysia, Thailand, Russia and Serbia, in which there is no social dialogue response because there is no freedom of association.

6. Dealing with limited diversity

Inspection of the truth table (Table 3) reveals that six possible combinations of factors have no support in the data. So far, we have implicitly assumed that they are unable to produce the outcome of interest, i.e. a social dialogue response. Now we explicitly examine the plausibility of this assumption. Five out of six missing rows are characterized by a value of 0 on freedom of association. For these five configurations it seems plausible to assume that the social dialogue variable would take a value of 0 because freedom of association has emerged as a necessary condition for social dialogue. For the sixth configuration, however, that of corporatist legacy (L), not-so-serious crisis (c), strong unions (S), and freedom of association (F), it does not seem straightforward to assume that such configuration would not produce a social dialogue response. It is possible that it would. We, therefore, impute a value of 1 to the social dialogue variable corresponding to this configuration and re-analyse the truth table accordingly.

When D=1 if frequency>0, analysis of the truth table leads to the following formula:

$$D_4=lcsF+lCsF+lCSF+LcsF+LcSF+LCSF \quad (8)$$

which simplifies into:

$$D_4=lsF+csF+lCF+CSF+LSF \quad (9)$$

Given freedom of association as a necessary condition, a social dialogue response to the crisis emergences in five circumstances: 1) when there is a corporatist legacy and the unions are strong; 2) when the crisis is serious and the labour movement strong; 3) when there is no legacy, but the unions are strong enough; 4) when there is no legacy and the unions are weak; 5) when the crisis is not serious and the labour movement weak. The latter is presumably a case of routine, cosmetic social dialogue and appears to approximate the case of Korea, where it seems to have become customary for the Korea Tripartite Commission to initiate discussions among (some of) the social partners on current public policy issues.

Applying the De Morgan’s rule to (9) gives:

$$d_4=(L+S+f)(C+S+f)(c+s+f)(l+s+f) \quad (10)$$

which simplifies into:

$$d_4=LCs+lcS+f\ (15)$$

Again, the absence of freedom of association is a sufficient condition for social dialogue not to emerge, independent of other circumstances. In addition, social dialogue does not emerge when, despite the presence of a corporatist legacy, the crisis hits hard and the unions are not strong enough to impose an agreement to government (the case of Spain), or vice versa, in a context in which social dialogue is not a policy routine, the crisis is not dramatic and the unions are so strong that the government fears having to pay too high a price to them. In the next section we provide illustrations based on country case studies.

7. Country experiences[8]

Germany[9]

Germany was hit hard by the global economic crisis: in 2009 its economy contracted by 4.9 per cent, although it rebounded in 2010. Unemployment peaked at 8.1 per cent in February 2009 after reaching a two-year low of 6.3 per cent in October 2008, and then oscillated between 7 and 8 per cent.

The country has a tradition of corporatist policy-making: the unions play an important institutional role in the administration of labour market and social policy and are generally consulted on major policy decisions. However, national tripartite pacts are not a characteristic of German industrial relations. The unionization rate is around 20 per cent; the collective bargaining coverage rate is higher because large firms are generally still members of employer associations. For this reason the country was coded as hosting a strong labour movement. There are no important violations of trade union rights.

Germany’s response to the financial crisis included tripartite national social dialogue only at a consultative level. Nonetheless, the union involvement was considerable, particularly at the sectoral/subnational level, which justifies coding the country as a case of social dialogue response. The Federal Chancellor convened a tripartite summit in December 2008 with a view to discussing the impact of the crisis on the national economy and outlining the Federal Government's stimulus package. The results of this exchange of views between the tripartite partners were taken into consideration when the package of measures was implemented in January 2009. Further high-level conferences took place in January and April 2009 along with numerous consultations at the state and local levels. All of these consultations focused on protecting employment levels as a major shared concern.

The main measure taken was the extension of the short-time working scheme (*Kurzarbeit*), under which the government provided subsidies allowing people to work

[8] The country chapters cover developments until early 2010.

[9] The case draws on (Demetriades and Kullander, 2009, p. 26; Ghellab, 2009, p. 6; Freyssinet, 2010, p. 25 ff; ILO, 2010a, b).

fewer hours without suffering a commensurate drop in earnings. The number of workers covered by the measure exceeded 1.5 million in May 2009, and has since begun to decline. An in-depth analysis conducted by the Federal Employment Service in October 2009 concluded that in the month of June 2009 there was an average reduction in working time of 30.5 per cent, corresponding to the preservation of about 432,000 full-time equivalent jobs. A job loss of such magnitude would have added one percentage point to the unemployment rate. It can thus be argued that an "implicit tripartism" contributed to limit the adverse effects on the German labour market (Freyssinet, 2010, p. 26).

In addition, numerous sectoral collective bargaining agreements exchanged pay freezes for limits on redundancies.

The German case illustrates the *LCSF* configuration which is typical of various European countries. In most circumstances this configuration leads to a social dialogue response. The peculiarity of Germany is that the response does not take the form of a national pact but mostly of sectoral agreements.

Switzerland

Switzerland has been moderately hit by the global economic crisis. Real GDP grew by 1.8 per cent in 2008, but the growth rate became negative by 1.5 per cent in 2009. Therefore, the crisis qualifies as serious according to the criterion adopted in this study. The growth rate had been around 3 per cent in the previous years. Available forecasts suggest growth rates of 1.7 and 1.4 per cent for 2010 and 2011. Unemployment increased from 2.5 per cent in the autumn of 2008 to 3.5 per cent in the spring of 2009, reaching 4.5 per cent in early 2010 and continuously moving downwards to 3.8 per cent at the time of writing this report.

Similar to Germany, the country has a tradition of "embedded corporatism" in the sense that the unions and employers are routinely consulted during the process of public policy elaboration. Labour law respects basic trade union rights. Union density is around 20 per cent and collective bargaining coverage considerably higher.

As with Germany, there was no formal national tripartite social pact in response to the crisis in Switzerland. However, the concerned interest groups were incorporated into the usual consultation procedures of the relevant ministries and also through existing networks and informal contacts. In addition, and again like Germany, measures aimed to subsidize reduced working hours in exchange for relative employment stability were negotiated at the sectoral and industry level (ILO, 2010a).[10]

The Swiss case also illustrates the *LCSF* configuration. Even more than Germany, however, the social dialogue response is carried by a network of formal and informal exchanges which routinely involve trade unions and employer associations in the shaping of public policy.

[10] This section has drawn on a review of newspaper articles in the Neue Zürcher Zeitung, Le Temps, and Tages Anzeiger Newspapers conducted in July 2010, as well as on telephone interviews with representatives of SECO (State Secretariat for Economic Affairs), the employer association Economiesuisse, and the trade union confederation SGB/USS.

Ireland

Ireland is, with Latvia and Russia, one of the countries in the sample in which the crisis has hit hardest. The economy contracted by 3.5 per cent in 2008 and by 7.6 per cent in 2009, after having experienced robust growth rates during the preceding years. It is still forecast to climb out of the recession in 2010 and to resume growth at a rate of 0.9 per cent in 2011. However, at present, these forecasts appear wildly optimistic, given fears about Ireland's inability to refinance its public debt. The unemployment rate increased from around 5 to 7 per cent in August 2008, 9.4 per cent in January 2009, and 13 per cent in the summer of 2009. There is no sign that it will go down in the near future.

Since 1987, Ireland has been the country of "social partnership", which manifested itself as periodic three-year agreements among the social partners on all major policy issues (Baccaro and Simoni, 2007; Roche, 2007). Union density has been declining rapidly over the past years, but is still well above the 20 per cent mark. Similar to other western European countries, there are no major violations of trade union rights.

Ireland entered the early-crisis period with a public display of support for the social partnership system. In November 2008 a national pact was signed: the Transitional Agreement extending towards the 2016 partnership pact adopted in 2006. It received record union support. This is not particularly surprising as the new agreement provided for a 6 per cent pay increase over 21 months. The provisions of this pact would soon prove obsolete.

In fact, in January 2009 the worsening of the economic and financial situation pushed the government to request a freezing of wages in the public sector, at least until the end of 2010, as well as nominal wage cuts in the form of a pension levy. Collective bargaining negotiations failed and the government implemented the desired measures unilaterally. Negotiations restarted in April 2009, but in September 2009 the Irish Congress of Trade Unions was forced by the government's intransigence to introduce a new strategy of opposition accompanied by strike threats. In December 2009, the government unilaterally decided to introduce a nominal wage cut of 7 per cent for public servants in 2010, and the Irish Business and Employers' Confederation (IBEC) formally withdrew from the private sector pay agreement that had been negotiated as part of the Transitional Agreement in 2008. This paved the way for the first period of company-level bargaining in Irish industrial relations since 1987. These decisions effectively put an end to the Irish social partnership as it had been known until then.

However, the unions' strategy of mobilization was short-lived. Attempts to mobilize the members against unilateral restructuring met with opposition from other sections of Irish society. In March 2010 IBEC and the Irish Congress of Trade Unions (ICTU) agreed to a protocol providing negotiators with broad pay guidelines and additional criteria for managing private sector pay claims. In June, a similar deal was signed between the government and the public sector unions (the "Croke Park agreement"). This established a four-year wage freeze and a peace clause. Thus, although social partnership is formally dead, the parties really see no alternative to the centralized negotiation of wages and working conditions (Rychly, 2009; Freyssinet, 2010, p. 12ff).

The Irish case is also an illustration of the *LCSF* configuration. However, the outcome is that negotiations fail and the government proceeds unilaterally. The unusual depth of the crisis pushes the government to seek implementation of a series of harsh measures in a very short time. The unions disagree with them. However, they are ultimately unable to alter the government's course.

Spain

Spain's economy contracted by 3.6 per cent in 2009. It is forecasted to experience negative growth (-0.4 per cent) again in 2010, before resuming growth in 2011 at a rate of 0.6 per cent. Unemployment rates climbed from less than 10 per cent in early 2008 to 18 per cent in early 2009, and – after a slight improvement in the first half of 2009 – peaked at 20.3 per cent in March 2010.

The country has a recent tradition of social dialogue at the national level: beginning with the early 2000s, unions and employers have negotiated centralized wage-setting agreements every year. In the 1990s unions and employers were also sometimes involved in tripartite negotiations with the government over social and labour market policy. The union density is low in comparative perspective (well-below 20 per cent) and therefore the unions are weak according to the definition adopted in this study. Just like in other western European countries, basic trade union rights are guaranteed.

The Spanish government resorted to social dialogue at the beginning of the crisis to formulate joint principles with the employers and the unions on how to tackle the recession (common declaration on 29 July 2008). However, views concerning the appropriate measures to be taken soon began to diverge and the parties reached a deadlock in January 2009. Attempts to renew the national social pact broke down in March 2009. In spring 2010, with a severely deteriorated macroeconomic and financial situation, social dialogue was considered to have officially broken down. On 16 June 2010, the Government approved a labour reform by decree, i.e. without the support of employers' and workers' organizations. The reform introduced a flexibilization of labour market regulation, i.e. the possibility for companies to lay-off workers at lower costs. Additional austerity measures were also introduced and they, too, met with dissent from the social partners (Demetriades and Kullander, 2009, p. 19 and 26; Freyssinet, 2010, p. 20ff).[11]

The Spanish case is an illustration of the *LCsF* configuration. It is in many respects similar to the Irish case. Here too, a far-reaching economic and financial crisis pushes the government into adopting measures of fiscal retrenchment and labour market flexibilization that the unions are unable to live with. However, the unions here are even less strong than in Ireland and thus unable to fundamentally alter the adjustment plan.

Czech Republic

The financial crisis has had a serious impact on the Czech Republic as the economy contracted by 4.1 per cent in 2009. It is forecast to return to growth again at a rate of 0.9 per cent in 2010 and 2.0 per cent in 2011. Unemployment had reached a three-year low of 4.1 per cent in the summer of 2008, but climbed to 6 per cent in early 2009 and reached 8.2 per cent in February 2010. There is a clearly discernible trend towards an improvement of the situation at the time of writing this report.

Like other former communist nations, the country has no tradition of tripartite social dialogue as defined above. Although, frequently, there were tripartite negotiations in the 1990s and early 2000s, these were largely symbolic and never issued in a meaningful social pact (Ost, 2000; Avdagic, 2005; Héthy, 2009). The union density rate is about 20

[11] This section has also drawn on newspaper articles published by *El País*.

per cent and is one of the highest in the region, thus justifying the country code of “strong unionism”. The labour code generally protects basic trade union rights.

Yet, surprisingly given the country’s record, the response to the financial crisis has taken the form of national social dialogue. In 2009, unions and employer organizations took the initiative of presenting the government with a set of jointly-negotiated measures to tackle the crisis. These included measures to support aggregate demand (e.g. the “car-scrapping” bonus), price controls on utility services, the introduction of a value-added tax, and vocational training measures (Héthy, 2009).

In February 2010, the tripartite social partners agreed to 38 anti-crisis measures. These included measures preventing misuse of unemployment benefits, the softening of administrative and financial burdens on firms, and various projects aimed to lower unemployment. The social partners later criticized the implementation of the 38 measures as inadequate (ILO, 2010a).

This case is an illustration of the *lCSF* configuration: when the crisis hits hard and the unions are strong there is no need for a previous tripartite legacy for a social pact to materialize. The Czech social pact is a first for the country. However, in light of social partner criticism, it is unclear that the government is living up to the expectations that it has generated by signing the pact.

Hungary[12]

The economic impact of the crisis on Hungary has been one of the deepest. The economy contracted by 6.3 per cent of GDP in 2009. It is forecast to grow again at a rate of 0.3 per cent for 2010 and 2.5 per cent for 2011. Unemployment climbed from 7.6 per cent in October 2008 to 10 per cent in March 2009, and reached 11.9 per cent in February 2010. There appears to be an improvement of the unemployment outlook, with rates falling to 10.2 per cent in May 2010.

Hungary has no tradition of corporatist policy-making as the repeated attempts to strike a social pact in the previous decade were unsuccessful. Union density is less than 20 per cent. There are no fundamental violations of trade union rights.

In responding to the crisis, the Hungarian government was fundamentally constrained by a highly inhospitable macroeconomic situation, which pushed them to implement a heavy programme of fiscal retrenchment. Attempts were made to gain the consensus of the social partners around austerity measures, but largely to no avail. Hungary’s Prime Minister called for a national summit on 18 October 2008. Leaders of all political parties, financial experts and social partners gathered to discuss the effects of the global economic crisis. The objective of the top-level negotiations, held between September 2008 and January 2009, was to reach consensus on a broad package of reforms in key areas. However, strong divisions emerged between the social partners and no pact was signed.

Hungary’s highest social dialogue institution, the National Council of Reconciliation of Interests (OÉT), has achieved two agreements since the beginning of the crisis, one in 2008 and one in 2009. Both updated the minimum wage. However, these were minor

[12] The section draws on (Demetriades and Kullander, 2009, p. 20; Héthy, 2009, p. 10; Rychly, 2009; ILO, 2010a).

agreements which do not fundamentally alter the fact that despite repeated governmental efforts, no social dialogue consensus could be reached in Hungary and that the government's response was essentially unilateral.

The Hungarian case is an illustration of the *lCsF* configuration. Unlike the Czech case, a serious crisis is unable to produce a social pact when the unions are not strong and coordinated enough.

Brazil[13]

After a period of robust economic growth which led to a decline in income inequality and employment expansion, Brazil's GDP experienced a small negative growth in 2009 followed by a strong rebound in 2010. Unemployment levels reached the pre-crisis level of approximately 8 per cent in the third quarter of 2009, with a generally positive outlook for 2010 both in terms of growth and employment.

Brazil has no legacy of tripartite policy-making, as no social pacts or equivalent forms of embedded corporatism could be seen in the previous decade. Union density rates are less than 20 per cent according to available estimates. Despite some concerns about allowing multiple unionism, overall basic trade union rights seem respected in the country.

Brazil's response to the crisis has involved national-level social dialogue. The *Conselho de Desenvolvimento Econômico e Social* (CDES), a consultative council composed of governments and members of civil society (whose membership is broader than trade unions and employer associations as it involves other civil society organizations), created a special group to monitor the crisis and propose adequate responses. In October 2008 it issued a motion making various suggestions, concerning inter alia credit expansion, public investment, and employment protection, which later found their way into the government's policy packet.

In early 2009, the tripartite Conselho Deliberativo do Fundo de Amparo ao Trabalhador (CODEFAT) approved an extension of unemployment benefits from five to seven months for workers in sectors particularly affected by the economic downturn, a measure which benefited more than 320,000 workers. As a reaction to rising unemployment, the CODEFAT also approved a resolution stipulating an alternative employment protection programme, the Worker Qualification Programme (*Bolsa de Qualificação do Trabalhador*), which allows employers, under certain conditions, to temporarily suspend contracts and provide worker qualification training during the corresponding period.

The Brazilian case is another example of the *lCSF* configuration. Like the Czech case, it illustrates that a tripartite legacy is not a necessary condition for a social dialogue response if other conditions are in place.

[13] This section draws on (Ghellab, 2009, p.: 6; ILO, 2009a, p.: 13; Rychly, 2009; ILO, 2010a).

South Africa

South Africa has been significantly hit by the global economic crisis, as its economy contracted by 1.8 per cent in 2009, having experienced growth rates of 3.7 to 5.6 per cent in the preceding five years. It is forecast to grow again at the rate of 2.8 per cent in 2010 and 3.7 per cent in 2011. Unemployment rates are traditionally extremely high in South Africa. After experiencing a two-year low of 21.9 per cent at the end of 2008, unemployment reached 24.5 per cent in the summer 2009 and peaked at 25.2 per cent in January 2010.

South Africa is one of the few non-European countries to have developed a tradition of tripartite policy-making. After the establishment of NEDLAC in 1994, the national economic and labour council, virtually all major public policy decisions have been formally discussed with the social partners (Keller and Nkadimeng, 2005; Papadakis, 2006). The South Africa labour movement is one of the strongest in developing countries. The unionization rate is higher than 20 per cent, and the unions are both organizationally strong (especially in sectors like mining and the public sector) and highly influential. Since 1994, the country’s labour legislation and practice fully allows for trade union freedoms and rights.

Much of South Africa’s response to the financial crisis was processed through NEDLAC. The consultation process began in December 2008 and resulted in the “Framework for South Africa's response to the international economic crisis” on 19 February 2009, to be implemented and monitored through action plans and five task teams. This framework agreement identified six key platforms on which the response to the crisis should be based: investment in public infrastructure, macroeconomic policy, industrial and trade policy, employment and social measures, global coordination and social partnership. Unions were concerned that the crisis could be used by companies as a pretext to cut jobs and maximize profits, but nonetheless strongly endorsed the agreement, which in their opinion staved off the risk that the burden of the crisis would be unfairly shifted onto the poor and vulnerable. In early 2010, however, Cosatu’s leader Vavi expressed concern at what he perceived to be an insufficient implementation of the plan (Ghellab, 2009; Rychly, 2009).

The South African case exemplifies the *LCSF* configuration. It illustrates that strong and durable social dialogue is possible even outside of the European continent if appropriate institutions are in place and the unions are strong and representative enough to make them meaningful.

Japan

In Japan the global financial crisis interrupted the fragile recovery that had followed the “lost decade”. The economy declined both in 2008 (1.2 per cent) and in 2009 (5.3 per cent). Economic growth had averaged 1.7 per cent between 2000 and 2007. Unemployment rose modestly from around 4 per cent in 2008 to a peak of 5.5 per cent in September 2009.

Explicit national tripartite policy-making has never been a characteristic of Japan. The unions are weak (the union density rate is less than 20 per cent) and mostly organized at the enterprise level. Freedom of trade union association is generally guaranteed.

Despite the absence of a corporatist legacy, the social partners reached an Agreement for Job Stability and Employment Creation in March 2009 as part of the annual spring wage negotiations (*shunto*). The agreement contained various measures aimed at maintaining employment through work-sharing arrangements backed by the

Government through employment subsidies. The measures were to be implemented through company-level negotiations. The work-sharing arrangements included shorter hours, the banning of overtime, and the temporary internal transfer of workers from companies in sectors facing declining demand to sectors with better employment opportunities within the same group. Other elements of the tripartite agreement were the strengthening of the employment safety net through measures such as vocational training and job placement services, assistance (living assistance, housing assistance, and job counseling) to single mothers, "freeters" (people between the age of 15-34 who lack full-time regular employment or are unemployed), and the long-term unemployed who might no longer be eligible for unemployment benefits, as well as public job creation, particularly in medical care, nursing, daycare, the environment, agriculture, and forestry (ILO, 2010c).

In the 2010 *shunto,* the Japanese Trade Union Confederation (RENGO) and the Japanese Business Federation (Nippon Keidanren) agreed to mutual concessions: the employers gave up on their demand for a wage freeze, and the unions agreed to press for wage increases only in those companies where the economic situation made them compatible with the goal of maximizing employment security.[14]

The Japanese case illustrates the *lCsF* configuration. Unlike the Hungarian case, this leads here to a positive social dialogue outcome. The peculiarity of the case is that social concerns about maximizing employment were internalized in the routine collective bargaining process of the annual *shunto*. The government sought to facilitate the reaching of an agreement between the bipartite partners by strengthening the safety net and providing labour market assistance to vulnerable workers.

Korea

Although the global financial crisis provoked a drop in Korea's growth rate, it did not lead to negative growth (unlike the Asian crisis of 1997). The economy grew by 0.2 per cent in 2009, having expanded at an annual rate of 3 to 7 per cent between 2002 and 2007. It is currently experiencing a strong recovery. Unemployment rates climbed from 3.0 per cent in the autumn of 2008 to 4.0 per cent in March 2009, peaked at 5 per cent in January 2010, and have declined ever since.

Korea is one of the few non-European countries to have developed a tradition of tripartite dialogue in the years that followed the Asian crisis. In 1998 the social partners signed a social pact (Baccaro and Lim, 2007) within the framework of the Korea Tripartite Commission. However, one of the two major union confederations, the KCTU, has often refused to take part in the Commission's deliberations. The Korean labour movement is weak in comparative perspective: the union density rate is well below 20 per cent and the organizational strength of the labour movement is concentrated in large enterprises, but virtually absent elsewhere. Labour law is not fully compliant with ILO labour standards on freedom of association. Nonetheless, unions do organize and mobilize. This justifies the coding of the country as allowing for free unions.

The initiative for a social dialogue response to the crisis originated from unions and employers. In October 2008, the Tripartite Commission proposed a social pact to overcome the crisis. In January 2009, the Federation of Korean Trade Unions (FKTU) and the Korea Employers Federation (KEP) jointly met the press and suggested holding a

[14] The section on Japan has drawn on unpublished documents provided by Ebisui Minawa, ILO.

quadripartite meeting involving government and civil society as well. In February 2009, after several meetings, the representatives of the four parties adopted a Quadripartite Pact for Overcoming the Economic Crisis.

The pact included a work-sharing effort by workers, a commitment to limiting job losses by employers, and financial support by government partially making up for workers' income losses and providing for a limited extension of the social safety net (ILO, 2010a).

However, the other major trade union confederation KCTU did not participate in the negotiations for the social pact. When the agreement was signed, it released a statement stating that the agreement unduly penalized the workers.

The Korean case provides a unique illustration of the *LcsF* configuration. Neither the crisis is particularly serious nor are the unions particularly strong. However, the presence of a policy and institutional legacy of tripartism is sufficient to lead to the signature of a social pact. Given the non-participation of the KCTU and the recent history of other pacts signed within the Korea Tripartite Commission, there are reasons to believe that the pact is purely cosmetic and the its impact on policy will be limited.

8. Concluding remarks

The Boolean analysis has led to the following conclusions: 1) freedom of association is necessary and jointly sufficient (when a number of other factors are present) for a social dialogue response to the crisis to emerge; 2) the absence of freedom of association is sufficient to produce the absence of social dialogue although social dialogue may be absent or fail when trade union rights are guaranteed; 3) social dialogue frequently does not emerge either when the crisis hits hard and the unions do not have the organizational resources to impose their presence to governments, or when the crisis is less than a full emergency and the unions are so strong that governments fear having to pay too high a price to them in negotiations.

The analysis suggests that social dialogue cannot exist without freedom of association. Therefore, one clear policy implication emerges: if national and international policy-makers believe that social dialogue is an efficient and equitable response to economic emergency, they should endeavour to strengthen freedom of association in contexts in which it is not currently guaranteed.

Future research should extend the analysis performed here in two directions. First, the explanatory model should be made more complex by introducing considerations of government strength or weakness. As argued above, the existing literature puts a lot of emphasis on the governments' incentives to engage in social dialogue or the lack thereof (Baccaro and Simoni, 2008; Hamann and Kelly, 2010; Avdagic and Rhodes and Visser, 2011). Second, the transition to a fuzzy-set, as opposed to crisp-set, methodology seems desirable (Ragin, 2000). While keeping the strong points of a Boolean methodology – analysing configurations of factors as opposed to mean effects and allowing for equifinality in the production of the outcome – this methodology would permit coding countries in terms of degrees of membership in a particular set and would lead to a more nuanced analysis.

Table 1: Coding of the Social Dialogue Variable

		Social Dialogue	Notes
Africa	Cameroon	0	
	Egypt	0	
	Nigeria	0	
	Senegal	0	No social pact: there was a tripartite pact on minimum wages but negotiations started before (in 2007) and do not seem strictly connected to the crisis response.
	South Africa	1	Social pact: Investment in public infrastructure; countercyclical fiscal policy (stimulus package); public works; industrial policy protecting struggling sectors (e.g. textiles and apparel); various social policies (e.g. unemployment benefits, food grants).
	Rwanda	0	
	Tanzania	0	
	Uganda	0	
Americas	Argentina	0	No true social dialogue response; increase of minimum salary; enterprise level agreements cutting wages (70%) or hours (30%).
	Brazil	1	Tripartite extension of unemployment benefits; retraining measures.
	Canada	0	
	Chile	1	Tripartite measures favoring employment retention, training, and social protection.
	Colombia	0	
	Costa Rica	0	
	Mexico	0	
	Peru	0	
	United States	0	
	Uruguay	0	
Caribbean	Jamaica	1	Kingston Plan' (Caribbean-wide tripartite initiative sponsored by the ILO).
	Trinidad and Tobago	0	Although in theory covered by the Kingston Plan, a nation-wide machinery for social dialogue still does not exist and the actors have made commitments to establish it.
Europe	Bulgaria	0	Government acted unilaterally for the most part: increase in minimum wage; more generous unemployment benefits; extension of food voucher system; subsidized employment; erga omnes extension of sectoral agreements.
	Czech Republic	1	Tripartite agreement: 38 short-term anti-crisis measures: preventing misuse of unemployment benefits, reduction of taxes on employees, social housing, training measures.
	France	0	No social dialogue response but agreement extending partial unemployment insurance.
	Germany	1	No national agreement, but sectoral agreements on Kurzarbeit; national consultations on crisis response.
	Hungary	0	No pact; minimum wage increases.
	Ireland	0	Failed negotiations.
	Italy	1	Minor agreements: (January 2009) Reform of contractual arrangements (stimulating decentralization); (February 2010) Framework agreement on the training of unemployed and mobility workers; sectoral cooperation on weathering the crisis.
	Latvia	0	Harsh budget increases and tax cuts discussed with the social partners but implemented by government despite their disagreement.

		Social Dialogue	Notes
	Netherlands	1	Crisis response negotiated with the trade unions. Measures include labour market and education; infrastructure; sustainability and innovation; and maintaining benefit levels. In exchange unions provide wage moderation and employers commit not to raise the issue of pension age increase.
	Poland	1	Social partners negotiate crisis response in March 2009; government passes them into two bills but then social partners claim government has ignored their proposals.
	Romania	0	Although the government claims that the anti-crisis measures have been agreed with the social partners, the partners dispute the claim and protest again the 'reform' of the public sector pay system.
	Russia	0	Social partner consultation only.
	Spain	0	Social dialogue broke over the government's response to the crisis, but a national framework agreement over wages was then signed.
	Switzerland	1	Informal consultations at the national level; sectoral negotiations.
	Sweden	1	Sectoral agreements on temporary lay-offs and training.
	Serbia	0	Consultations with a tripartite crisis working group but no agreement.
	United Kingdom	0	
Asia	Australia	0	
	Cambodia	0	Sectoral tripartite meetings held but no real agreement.
	Japan	1	March 2009: Framework Agreement for Job Stability and Employment Creation.
	Korea	1	February 2009: Grand Agreement to Overcome the Economic Crisis; KCTU does not participate.
	Malaysia	0	
	Thailand	0	Sectoral consultations.
	Vietnam	0	

Table 2: Independent Variables

		Legacy	Crisis	Strong Unions	FoA
Africa	Cameroon	0	0	0	0
	Egypt	0	0	0	0
	Nigeria	0	0	0	0
	Senegal	0	0	0	1
	South Africa	1	1	1	1
	Rwanda	0	0	0	0
	Tanzania	0	0	0	0
	Uganda	0	0	0	0
Americas	Argentina	0	0	1	1
	Brazil	0	1	1	1
	Canada	0	1	1	1
	Chile	0	1	0	1
	Colombia	0	0	0	0
	Costa Rica	0	1	0	0
	Mexico	0	1	0	0
	Peru	0	0	0	1
	United States	0	1	0	1
	Uruguay	0	0	0	1
Caribbean	Jamaica	0	1	0	1
	Trinidad and Tobago	0	1	0	0
Europe	Bulgaria	0	1	1	1
	Czech Republic	0	1	1	1
	France	0	1	0	1
	Germany	1	1	1	1
	Hungary	0	1	0	1
	Ireland	1	1	1	1
	Italy	1	1	1	1
	Latvia	0	1	0	1
	Netherlands	1	1	1	1
	Poland	0	0	0	1
	Romania	0	1	1	1
	Russia	0	1	1	0
	Spain	1	1	0	1
	Switzerland	1	1	1	1
	Sweden	1	1	1	1
	Serbia	0	1	1	0
	United Kingdom	0	1	1	1
Asia	Australia	0	0	0	1
	Cambodia	0	1	0	0
	Japan	0	1	0	1
	Korea	1	0	0	1
	Malaysia	0	1	0	0
	Thailand	0	1	0	0
	Vietnam	0	0	0	0

Table 3: Truth Table and Distribution of Cases*

Legacy	Crisis	Strength Unions	FoA	Cases	Countries	Frequency	Frequency>0	Frequency>.5
0	0	0	0	8	Cameroon, Egypt, Nigeria, Rwanda, Tanzania, Uganda, Colombia, Vietnam	0.00	0	0
0	0	0	1	5	Senegal, Peru, Uruguay, **Poland**, Australia	0.20	1	0
0	0	1	0	0				
0	0	1	1	1	Argentina	0.00	0	0
0	1	0	0	6	Costa Rica, Trinidad, Mexico, Cambodia, Malaysia, Thailand	0.00	0	0
0	1	0	1	7	**Chile**, US, France, **Jamaica**, Hungary, Latvia, **Japan**	0.43	1	0
0	1	1	0	2	Russia, Serbia	0.00	0	0
0	1	1	1	6	**Brazil**, Canada, Bulgaria**, Check Rep,** Romania, UK	0.33	1	0
1	0	0	0	0				
1	0	0	1	1	**Korea**	1.00	1	1
1	0	1	0	0				
1	0	1	1	0				
1	1	0	0	0				
1	1	0	1	1	Spain	0.00	0	0
1	1	1	0	0				
1	1	1	1	7	**South Africa, Germany,** Ireland, **Italy, Netherlands, Switzerland, Sweden**	0.86	1	1

*Positive cases in **bold**

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